

Message Text

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C O N F I D E N T I A L WARSAW 6023

E.O. 11652: GDS

TAGS: ELTN PL

SUBJ: AUTOMOTIVE INDUSTRY (C-ER-6-50147)

REF: STATE 172560

1. SUMMARY: THE POLISH AUTOMOBILE INDUSTRY HAS EXPANDED RAPIDLY SINCE AN AGREEMENT WAS CONCLUDED WITH FIAT OF ITALY IN 1971 PERMITTING THE PRODUCTION OF FIAT VEHICLES IN POLAND. TOTAL PRODUCTION OF PASSENGER CARS HAS INCREASED FROM 64.2 THOUSAND IN 1970 TO 173 THOUSAND IN 1975. UNDER OTHER LONG-TERM COOPERATION DEALS WITH WESTERN PRODUCERS, POLAND WILL ASSEMBLE BUSES, TRUCKS, AND TRACTORS AND WILL MANUFACTURE BASIC PARTS NEEDED TO SUPPORT THE MOTOR INDUSTRY. END SUMMARY.

2. IN 1974, THE FOLLOWING TYPES AND QUANTITIES OF CARS WERE PRODUCED IN POLAND:

FIAT 126: 10,000

FIAT 125: 110,000

SYRENA 105: 40,000

THE SYRENA, A TECHNOLOGICALLY OUTDATED VEHICLE, WILL GRADUALLY BE PHASED OUT OF PRODUCTION AS THE OUTPUT OF FIAT 125 AND 126 MODELS IS INCREASED. PLANS CALL FOR MANUFACTURE OF 200,000 FIAT 126'S

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IN 1980. THE PRODUCTION OF FIAT 125'S IS EXPECTED TO INCREASE TO

160 TO 180 THOUSAND BY 1980.

3. POLISH AUTOMOBILE-PRODUCTION TARGETS DO NOT SEEM TO HAVE BEEN AFFECTED BY PETROLEUM-PRICE INCREASES. THE RETAIL PRICE OF GASOLINE WAS RAISED IN JANUARY, 1974, FROM 6.5 TO 11 ZLOTIES PER LITER (PREMIUM). (19.92 ZLOTIES EQUAL \$1 AT THE OFFICIAL RATE OF EXCHANGE.)

THE HIGHER PRICES DO NOT SEEM TO HAVE HAD A SUBSTANTIAL IMPACT ON THE VOLUME OF GASOLINE CONSUMPTION. GASOLINE PRODUCTION DECLINED FROM 2189 THOUSAND TONS IN 1973 TO 2068 THOUSAND TONS IN 1974, BUT ROSE TO 2346 THOUSAND TONS IN 1975. AS POLAND DOES NOT EXPORT GASOLINE, WE BELIEVE THESE FIGURES PROVIDE A RELATIVELY ACCURATE INDICATION OF GASOLINE CONSUMPTION.

4. IN 1975, THERE WERE APPROXIMATELY 34 AUTOMOBILES PER THOUSAND POPULATION IN POLAND. BY 1980, THIS RATIO IS EXPECTED TO CLIMB TO 50 AUTOS PER THOUSAND AND BY 1990, ACCORDING TO POLISH PLANNERS, THERE SHOULD BE MORE THAN 70 AUTOS PER THOUSAND POLES. IN 1975, THE TOTAL PARK OF PASSENGER VEHICLES AMOUNTED TO 997 THOUSAND.

5. THE POLE WHO WISHES TO BUY AN AUTOMOBILE FOR ZLOTIES MUST WAIT FROM THREE TO FIVE YEARS FOR DELIVERY. SHOULD HE HAVE HARD CURRENCY FOR THE PURCHASE, THERE IS VIRTUALLY NO WAITING PERIOD. THE EXCHANGE RELATIONSHIP BETWEEN ZLOTY AND DOLLAR PURCHASE PRICES IS APPROXIMATELY 100 ZLOTIES PER DOLLAR (BLACK-MARKET RATE) FOR A FIAT 125. THERE IS A SMALL BUT ACTIVE (AND LEGAL) MARKET FOR THE RESALE OF NEWLY PURCHASED VEHICLES. THE SELLER GENERALLY REALIZES A PROFIT OF AT LEAST 20 PERCENTHXN THESE TRANSACTIONS.

6. THE RAPID INCREASE IN POLISH PASSENGER-CAR PRODUCTION HAS BEEN ACCOMPANIED BY SIZABLE INVESTMENTS IN OTHER SECTORS OF THE AUTOMOTIVE INDUSTRY. TRUCK PRODUCTION HAS RECEIVED SPECIAL ATTENTION. APPROXIMATELY 30 THOUSAND "STAR" TRUCKS OF POLISH DESIGN ARE PRODUCED ANNUALLY, ALTHOUGH THE "STAR'S" SHARE OF THE POLISH MARKET IS GRADUALLY BEING REDUCED BY TRUCKS ASSEMBLED UNDER COOPERATION AGREEMENTS WITH VOLVO OF SWEDEN AND THE AUSTRIAN FIRM STEYR-DAIMLER-PUCH. THE "STAR" TRUCK, ALTHOUGH TECHNOLOGICALLY OUTMODED, UTILIZES A NUMBER OF WESTERN COMPONENTS IN ITS DESIGN, INCLUDING WESTINGHOUSE BRAKING SYSTEMS, ZAHNRADFABRIK TRANSMISSIONS, AND BOSCH STARTERS.

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7. IN 1974, THE POLES SIGNED A MAJOR AGREEMENT WITH VOLVO WHICH PROVIDES FOR COOPERATION IN THE MANUFACTURE OF 10-TON TRUCKS FOR CONTAINER HAULING. INITIALLY, THE VEHICLES WILL BE PRODUCED IN POLAND UNDER VOLVO LICENSING AND WITH VOLVO PARTS. EVENTUALLY SOME 60 PERCENT OF THE PARTS USED IN MANUFACTURING THE TRUCKS WILL BE POLISH-MADE. POLAND IS ALSO PRODUCING HEAVY-DUTY TRUCK ENGINES UNDER A COOPERATION AGREEMENT SIGNED IN SEPTEMBER 1975 BETWEEN THE

POLISH ENTERPRISE POLMOT AND STEYR-DAIMLER-PUCH OF AUSTRIA. THE AUSTRIAN COMPANY IS ALSO REPORTEDLY PROVIDING TECHNICAL ASSISTANCE IN THE EXPANSION OF THE POLISH TRUCK PLANT AT JELCZ. THE TOTAL VALUE OF THIS CONTRACT IS ESTIMATED TO BE NEARLY 200 MILLION DOLLARS.

8. POLMOT IS ALSO INVOLVED IN A MAJOR COOPERATION DEAL WITH THE FRENCH FIRM BERLIET IN THE PRODUCTION OF BUSES. TERMS OF THE 1972 AGREEMENT CALL FOR THE EXPORT OF PARTS BY THE POLES TO BERLIET IN EXCHANGE FOR MORE SOPHISTICATED COMPONENTRY. APPROXIMATELY ONE THOUSAND OF THE URBAN MODEL PR100 WERE PRODUCED IN 1976. PRODUCTION OF AN IMPROVED MODEL, THE PR110, IS REPORTED TO HAVE BEGUN THIS YEAR. AFTER COMPLETION OF A MAJOR INVESTMENT PROGRAM AT JELCZ, ANNUAL PRODUCTION OF THE PR110 WILL TOTAL FIVE THOUSAND UNITS.

9. THE POLES HAVE ALSO BEGUN COOPERATION WITH MASSEY-FERGUSON-PERKINS IN THE PRODUCTION OF AGRICULTURAL TRACTORS AND DIESEL ENGINES. THIS PROJECT, ORIGINALLY VALUED AT APPROXIMATELY \$400 MILLION, IS NOW THOUGHT TO CARRY A MUCH HIGHER PRICE TAG DUE TO BRITISH INFLATION AND THE ADDITION OF UNFORESEEN INFRASTRUCTURE INVESTMENTS.

10. TO SUPPORT POLAND'S AMBITIOUS MOTORIZATION EFFORT, A NUMBER OF LICENSING AGREEMENTS HAVE BEEN SIGNED WITH WESTERN FIRMS FOR THE PRODUCTION OF TIRES. UNDER TERMS OF TWO LICENSING AGREEMENTS WITH UNIROYAL INC., POLAND IS PRODUCING A RANGE OF TIRES FOR CARS AND TRUCKS AT ITS OLSZTYN TIRE PLANT. TRUCK-TIRE PRODUCTION IS SLATED TO REACH 920,000 BY THE END OF 1976, WHILE AN ANNUAL PRODUCTION CAPACITY OF 2.8 MILLION AUTOMOBILE TIRES IS EXPECTED BY 1978. POLAND WILL ALSO BEGIN PRODUCTION OF V-BELTS IN 1977 AT THE SANOK TIRE PLANT, UNDER A 1975 CONTRACT WITH GATES RUBBER. INITIAL PLANS CALL FOR INSTALLATION OF AN ANNUAL PRODUCTION CAPACITY OF 8 MILLION BELTS BY 1978 AND PRODUCTION OF 12 MILLION BY 1980.

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11. THERE ARE CURRENTLY ABOUT 1100 GAS STATIONS IN OPERATION IN POLAND. IN CONTRAST TO MOST CEMA COUNTRIES WHERE LONG QUEUES FOR GASOLINE ARE COMMON, THE NUMBER OF STATIONS SATISFIES MOST OF THE DEMAND IN CITIES WITHOUT EXCESSIVE QUEUING, ALTHOUGH THERE ARE ISOLATED SECTIONS OF THE COUNTRY WHERE STATIONS MAY BE AS FAR AS TWENTY TO THIRTY MILES APART. IT IS EXPECTED THAT THE POLES WILL EXPAND THEIR STATION NETWORK, AS IN THE PAST, WITHOUT SIGNIFICANT RELIANCE ON WESTERN TECHNICAL ASSISTANCE. A SORE POINT AMONG MOTORISTS, HOWEVER, IS THE LACK OF ADEQUATE REPAIR FACILITIES AND THE QUALITY OF MAINTENANCE WORK. ALTHOUGH OFFICIAL SOURCES CLAIM THAT THERE ARE NOW 3,450 PUBLIC AND PRIVATE SERVICE FACILITIES IN THE COUNTRY, POLES ARE FORCED TO WAIT LONG PERIODS FOR MAJOR REPAIRS AND THE SUPPLY OF REPLACEMENT PARTS IS FREQUENTLY INADEQUATE. THE INABILITY OF THE SOCIALIST SECTOR TO SATISFY THE DEMAND

FOR SERVICES HAS ENGENDERED A SPONTANEOUS GROWTH IN SMALL, PRIVATE REPAIR FACILITIES WHICH FILL AN IMPORTANT GAP IN THE SERVICE NETWORK.

12. STILL UNDER DISCUSSION IS THE LIGHT-VAN PROJECT, WHICH, FOR MORE THAN TWO YEARS, HAS BEEN THE SUBJECT OF NEGOTIATIONS BETWEEN POLMOT AND GENERAL MOTORS, AMONG OTHER COMPANIES. IF AGREEMENT IS REACHED, THE PROJECT, SAID TO BE VALUED AT MORE THAN \$400 MILLION, WOULD REQUIRE SUBSTANTIAL INVESTMENTS IN SUPPORTIVE INDUSTRIES.
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